

Message Text

PAGE 01 LISBON 04739 01 OF 02 291216Z

14

ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 EB-11 COME-00 TRSE-00 SCEM-02 IO-14 SAJ-01

DRC-01 NEA-10 OMB-01 /153 W
----- 118220

P R 291048Z DEC 73

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 8935

INFO AMCONSUL LOURENCO MARQUES

AMCONSUL LUANDA

S E C R E T SECTION 1 OF 2 LISBON 4739

E.O. 11652:*GDS

TAGS: PINT P *S PFOR PO ECON FIN

SUBJ: POLITICAL/ECONOMIC T*ENDS REPORT FOR PORTUGAL, LAST QUARTER
1973.

REF: STOESSEL-POST LETTER DEC 4, 197

SUMMARY: THE PORTUGUESE REGIME IS FIRMLY IN CONTROL AND IS UNLIKELY TO BE SHAKEN, EVEN BY PROBLEMS OF OIL. IN THE ABSENCE OF DISTURBING INFLUENCES FROM ABROAD, SERIOUS DOMESTIC POLITICAL INSTABILITY IS UNLIKELY IN THE COMING MONTHS. MASSIVE ASSISTANCE TO INSURGENTS COULD TIP STALEMATED AFRICAN WARS AGAINST PORTUGAL. LOSS OF AN AFRICAN TERRITORY (GUINEA IS MOST LIKELY CANDIDATE) WOULD BE A STUNNING BLOW TO THE REGIME. RECESSION IN EUROPE AND A SLOWDOWN OF EMIGRATION OR RETURN OF SIZEABLE NUMBER EMIGRANT WORKERS WOULD BRING GREAT PRESSURE ON GOP. WITH FEW FRIENDS, PORTUGAL IS LIKELY TO TURN TO US FOR SUCH HELP AS IT NEEDS, SEEING ALLIANCE WITH US TO BE SOURCE OF PRESENT DIFFICULTIES AND FINDING ITSELF IN UNIQUELY ADVANTAGEOUS POSITION TO BRING PRESSURE ON US. OUR ABILITY TO MEET PORTUGAL'S DEMANDS MAY BE THE DETERMINANT OF OUR RELATIONS OVER THE NEXT FEW YEARS. END SUMMARY.

SECRET

PAGE 02 LISBON 04739 01 OF 02 291216Z

1. DOMESTIC AFFAIRS. LAST QUARTER OF 1973 SAW FURTHER CONFIRMATION THAT UNDER CAETANO THERE WILL BE NO RAPID LIBERALIZATION OF THE PORTUGUESE REGIME. OCTOBER NATIONAL ASSEMBLY ELECTIONS WERE OCCASION FOR HEIGHTENED POLITICAL DEBATE AND REDUCED PRESS CENSORSHIP, ALTHOUGH

RESTRAINTS CONTINUED ON EXTREMIST VIEWS. NEW NATIONAL ASSEMBLY, COMPOSED ENTIRELY OF GOVERNMENT'S PARTY, IS SOMEWHAT MORE CONSERVATIVE THAN THE LAST ONE AND, WITH VIRTUALLY NO "LIBERAL WING" SUCH AS STRUCK SPARKS IN PREVIOUS ASSEMBLY, PROMISES TO BE MORE AMENABLE TO PRIME MINISTER'S WISHES AND DULLER. WITH ELECTIONS OVER, STRICTER CONTROLS ON PRESS WERE RESUMED. TO ASSUAGE THE RIGHT, GOVERNMENT HAS DECREED TIGHTER CURBS ON UNIVERSITY DISORDERS.

2. CAETANO IS IN A STRONGER POSITION THAN THREE MONTHS AGO. PRINCIPAL CONSTRAINT ON PM - THE RIGHT - CAN ONLY BE PLEASED BY CURRENT DOMESTIC SCENE. THE POST-ELECTION CABINET RESHUFFLE CONSOLIDATED THE PRIME MINISTER'S POSITION, PLACING AT THE HEAD OF KEY MINISTRIES MEN PERSONALLY LOYAL TO HIM. CAETANO ALSO STRENGTHENED HIS CONSTITUTIONAL POSITION THROUGH APPOINTMENTS TO COUNCIL OF STATE.

3. THERE HAVE BEEN INDICATIONS, PARTICULARLY DURING ELECTION PERIOD, OF GROWING PUBLIC DISENCHANTMENT WITH THE WARS IN AFRICA. HOWEVER, THERE IS LITTLE OPPORTUNITY FOR EXPRESSION OF DISSENT. THE POLICE AUTHORITIES, HEADED BY NEW INTERIOR MINISTER PERSONALLY CLOSE TO PM, ARE TAKING TOUGH AND EFFECTIVE STEPS AGAINST DISSIDENTS. CAETANO'S NAMING OF CIVILIAN AS DEFENSE MINISTER MAY ENABLE HIM KEEP CLOSER WATCH ON THE MILITARY, SOURCE OF MOST LIKELY THREAT TO REGIME.

4. ECONOMIC GROWTH CONTINUES AT A FAVORABLE RATE, ALTHOUGH THERE ARE CERTAIN COUNTER-CURRENTS: INFLATION IS THE WORST IN EUROPE AND MAY EAT UP REAL PRODUCTIVITY GAINS. GOP HAS DECIDED TO ACCEPT DEGREE OF INFLATION RATHER THAN CURB ECONOMIC GROWTH. EXPORTS ARE RUNNING 30 PERCENT HIGHER THAN LAST YEAR AND THE COUNTRY'S FINANCIAL POSITION, BACKED BY HUGE FOREIGN EXCHANGE AND GOLD RESERVES, REMAINS SOUND. HOWEVER, THE WORLD PETROLEUM CRISIS ADDS A NEW DIMENSION. GOP CONSIDERS A REASONABLE GROWTH RATE ESSENTIAL, TO SATISFY POPULATION WITH GROWING EXPECTATIONS AND TO SUSTAIN MILITARY AND DEVELOPMENT EFFORTS IN AFRICA. IF PORTUGUESE INDUSTRY IS HURT BY LACK OF OIL, GOP WILL SURELY TURN TO US FOR HELP. NEED FOR SUSTAINED ECONOMIC GROWTH WILL CONTINUE IN EARLY 1974, WITH BEGINNING OF NEW SIX-YEAR DEVELOPMENT PLAN. A EUROPEAN DOWNTURN COULD ALSO AFFECT
SECRET

PAGE 03 LISBON 04739 01 OF 02 291216Z

PORTUGAL'S EXPORTS, AS EUROPE IS PORTUGAL'S PRINCIPAL CUSTOMER. ALSO, EFFORTS TO DAMPEN INFLATION MAY BE NEGATED BY HIGHER COST OF PETROLEUM IMPORTS.

5. THERE IS A REAL DANGER THAT RECESSION IN EUROPE WILL BRING RETURN OF MANY PORTUGUESE EMIGRANTS CAUSING SEVERE UNEMPLOYMENT IN PORTUGAL. THREAT OF ECONOMIC SLOWDOWN IN GERMANY HAS LED FRG TO CLOSE DOORS TO PORTUGUESE IMMIGRANTS AND ANY THROWN OUT OF WORK MAY BE SENT HOME. IF SAME SHOULD HAPPEN IN FRANCE DURING THE COMING MONTHS, PORTUGAL WILL BE FACED WITH WIDESPREAD UNEMPLOYMENT, REDUCED BALANCE OF PAYMENTS RECEIPTS, AND POSSIBLY SOCIAL UNREST.

6. OVERSEAS TERRITORIES. PORTUGAL'S RESOLVE TO TOUGH IT OUT IN

AFRICA DOES NOT APPEAR TO HAVE CHANGED AND MAY HAVE BEEN BUTTRESSED BY EXPECTATION THAT THE US, FOLLOWING THE ISRAELI RESUPPLY OPERATION, WILL ADOPT MORE SYMPATHETIC VIEW TOWARD PORTUGAL'S CONTINUATION IN ITS AFRICAN TERRITORIES. CAETANO'S LONG-RANGE STRATEGY FOR THE OVERSEAS REMAINS OBSCURE AND IS BEING DIFFERENTLY INTERPRETED. SOME CENTRISTS, PERHAPS BASING THEIR INTERPRETATION ON HOPE, AND SOME RIGHT-WINGERS, BASING THEIR VIEWS ON FEAR, LOOK UPON CAETANO'S AUTONOMY POLICY AS PREPARING PUBLIC MIND FOR EVENTUAL AND PERHAPS NOT-FAR-DISTANT INDEPENDENCE FOR OVERSEAS TERRITORIES. THIS VIEW SHARED BY SOME OFFICERS OF EMBASSY. OTHER VIEW, WITH WHICH OTHER EMBASSY OFFICERS AGREE, IS THAT CAETANO HAS NO SPECIFIC END IN VIEW BEYOND HOLDING ON IN HOPE WORLD WILL COME TO ITS SENSES AND ACCEPT PORTUGAL'S VIEW THAT MULTI-RACIAL SOCIETIES LINKED TO PORTUGAL MUST BE GIVEN TIME TO DEVELOP. THIS INTERPRETATION BASED PARTICULARLY ON CAETANO'S REPEATED EMPHASIS THAT POSITION OF WHITES IN AFRICA MUST BE ASSURED AND THAT EXPERIENCE ELSEWHERE IN AFRICA HAS DEMONSTRATED THAT THIS ONLY POSSIBLE AT PRESENT THROUGH CONTINUED CONTROL BY METROPOLE WITHOUT WHICH EITHER BLACK OR WHITE RACISM WILL TAKE OVER.

7. GUINEA BISSAU IS THE WEAK POINT. CONCERN FOR WHITES IS NOT A FACTOR THERE, BUT THERE IS CONCERN FOR LOCAL LOYALIST BLACKS AND FOR STEP-UP IN INSURGENCY IN ANGOLA AND MOZAMBIQUE WHICH MIGHT BE STIMULATED BY EVIDENCE OF WEAKENING OF PORTUGUESE RESOLVE. THERE WERE, NONETHELESS, SOME INDICATIONS THAT PORTUGAL MAY HAVE BEEN SEEKING AN HONORABLE EXIT FROM GUINEA BISSAU PRIOR TO PAIGC INDEPENDENCE DECLARATION IN SEPTEMBER. ANY SUCH MOVE IS NOW, HOWEVER, IN ABEYANCE, SINCE DEPARTURE NOW WOULD IMPLY DISHONORABLE DEFEAT,
SECRET

PAGE 04 LISBON 04739 01 OF 02 291216Z

WHICH WOULD BE UNACCEPTABLE IN PORTUGAL. IN THE UN, THE HEAT IS TEMPORARILY OFF WITH THE END OF THE UNGA, BUT THE GUINEA BISSAU ISSUE WILL CONTINUE TO PLAGUE PORTUGAL IN SPECIALIZED AGENCIES. BY 1974 UNGA, GUINEA BISSAU WILL PROBABLY BE ACCEPTED IN HALF-DOZEN AGENCIES, AND ONLY UNSC VETO CAN PREVENT UN MEMBERSHIP. PORTUGUESE DECISION TO STAY IN PRELIMINARY LOS CONFERENCE DESPITE PRESENCE OF PAIGC REPS MAY BE REPEATED IN OTHER BODIES, IF PORTUGAL ITSELF NOT BLACKBALLED. GOP NOW FEELS THAT ITS VOLUNTARY WITHDRAWAL FROM ORGANS AS RESULT GUINEA BISSAU ADMISSION PRESENTS PAIGC WITH DOUBLE VICTORY AND ONLY SERVES TO ISOLATE PORTUGAL FURTHER

SECRET

PAGE 01 LISBON 04739 02 OF 02 291223Z

12
ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 IO-14 NEA-10 EB-11 COME-00 TRSE-00 SCEM-02

SAJ-01 OMB-01 DRC-01 /153 W

----- 118256

P R 291048Z DEC 73

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 8936

INFO AMCONSUL LOURENCO MARQUES

AMCONSUL LUANDA

S E C R E T SECTION 2 OF 2 LISBON 4739

8. IN ANGOLA AND MOZAMBIQUE, WAR APPEARS TO BE STILL A FLUID STALE-MATE. WITHOUT MASSIVE REINFORCEMENTS TO THE INSURGENTS, STALEMATE LIKELY CONTINUE. THERE ARE PORTENTS OF TROUBLE ON ANGOLA'S BORDER WITH ZAIRE: MOBUTU'S EFFORTS TO RECRUIT ANGOLANS INTO THE LIBERATION MOVEMENT HE SPONSORS AND THE REMOVAL OF PORTUGUESE FROM BORDER AREAS MAY SIGNAL ADVENTURISM BY MOBUTU IN THE COMING MONTHS. HOWEVER, PORTUGAL HOLDS IMPORTANT TRUMP IN PROVIDING RAILROAD ACROSS ANGOLA FOR ZAIRIAN MINERALS EXPORTS. IN BOTH ANGOLA AND MOZAMBIQUE, PORTUGUESE FEAR INTRODUCTION OF SOPHISTICATED WEAPONS ON INSURGENT SIDE, SUCH AS SA-7 SAM.

9. FOREIGN RELATIONS. IN THE MIDEAST WAR FOR ALMOST THE FIRST TIME PORTUGAL FOUND ITSELF PLAYING A ROLE OF PRIME INTERNATIONAL IMPORTANCE. HAVING LONG SAID THAT PORTUGUESE GEOGRAPHY IS ESSENTIAL TO NATO AND THE WEST, GOP CAN NOW POINT FOR PROOF TO THE AZORES' ROLE IN THE MIDEAST WAR. AT SAME TIME, THE ARAB OIL BOYCOTT RESULTING FROM PORTUGAL'S PROMINENCE IN SUPPORT OF THE US HAS CAUSED SOME ECONOMIC DISRUPTION AND CASTS SOMETHING OF A SHADOW OVER THE GIANT BILLION-DOLLAR PORT/PETROCHEMICAL SINES PROJECT, WHICH WAS CONCEIVED AS RELYING ON ARAB CRUDE. NATIONALIZATION OF BULBENKIAN INTERESTS IN BASRA PETROLEUM COMPANY COULD PRESAGE LOSS OF IRAQ AS CRUDE OIL SUPPLIER, ONLY ARAB SOURCE WHICH HAS NOT TO DATE PARTICIPATED IN BOY-SECRET

PAGE 02 LISBON 04739 02 OF 02 291223Z

COTT. PORTUGAL HAS, HOWEVER, HOLE CARD IN FORM OF ANGOLA OIL PRODUCTION WHICH MAY TIDE IT OVER CURRENT SUPPLY CRISIS WITHOUT HAVING TO INVOKE US PROMISE TO HELP. FACT THAT ARAB OIL BOYCOTT BASED IN PART ON ARAB SOLIDARITY WITH AFRICA MIGHT MEAN THAT BOYCOTT OF PORTUGAL WILL NOT BE RELAXED AS PROGRESS MADE TOWARD MIDEAST SETTLEMENT.

AS PORTUGAL STOOD VIRTUALLY ALONE AMONG NATO ALLIES IN ASSISTING US RESUPPLY OPERATION TO ISRAEL. FOR THIS ASSISTANCE, AND FOR THE ARAB-AFRICAN RETALIATION THIS ACTION ENGENDERED, PORTUGAL EXPECTS COMPENSATION. THE CONVERGENCE OF PORTUGAL'S SUPPORT FOR THE US IN THE MIDEAST WAR AND THE EXPIRATION OF THE CURRENT AZORES AGREEMENT MEANS THAT THE GOP WILL SEEK A VERY HIGH PRICE FOR RENEWAL OF THE BASE AGREEMENT. THE PORTUGUESE REALIZE THAT THEY MAY NEVER AGAIN BE IN AS ADVANTAGEOUS A POSITION AS TODAY, AND THEY WILL ACCORDINGLY SEEK THE MAXIMUM IN MATERIAL AND POLITICAL

SUPPORT, ESPECIALLY AS A BULWARK WHERE PORTUGAL IS MOST
THREATENED, THE AFRICAN TERRITORIES. A RESPONSE BY THE US
CONSIDERED NIGGARDLY BY THE PORTUGUESE IN THE LIGHT OF THEIR
HEIGHTENED EXPECTATIONS COULD MAKE THE NEGOTIATIONS FOUNDER.
HOWEVER, THEY RECOGNIZE THAT THERE ARE LIMITS BEYOND WHICH THE
USG CANNOT GO, HOWEVER MUCH WE MAY BE IN DEBT TO THEM (E.G.
RENUNCIATION OF THE EMBARGO ON ARMS FOR USE IN PORTUGUESE AFRICA).
FURTHERMORE, WE MUST NOT FORGET THAT, JUST AS PORTUGAL WAS UNIQUELY
HELPFUL TO US FOR THE RESUPPLY OF ISRAEL, THE US HAS SHOWN ITSELF
ON COUNTLESS OCCASIONS TO BE VIRTUALLY THE LAST FRIEND PORTUGAL
HAS. LAJES FIELD IS THE MOST IMPORTANT SYMBOL OF THE SPECIAL
RELATIONSHIP PORTUGAL ENJOYS WITH THE US; WHATEVER THEY MAY SAY
FOR TACTICAL PURPOSES, THE PORTUGUESE WOULD FOREGO THAT
VISIBLE TIE WITH THE US ONLY UNDER CONSIDERABLE PROVOCATION.
POST

10. US-PORTUGUESE RELATIONS WERE IN CRITICAL FOCUS DURING THE QUARTER,

SECRET

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 29 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LISBON04739
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 *GDS
Errors: n/a
Film Number: n/a
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731256/abqceftt.tel
Line Count: 236
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: STOESSEL-POST LETTER DEC 4, 197
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 25 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Sep-2001 by rowelle0>; APPROVED <29-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POLITICAL/ECONOMIC T*ENDS REPORT FOR PORTUGAL, LAST QUARTER 1973.
TAGS: PINT, PFOR, ECON, PINS, EFIN, PO, S
To: STATE INFO LOURENCO MARQUES
LUANDA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005